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Ninth Special Session (First Part)

SUMMARY RECORD OF THE 481st MEETING

held at the Palais des Nations, Geneva,
on Thursday, 8 September 1977, at 3.30 p.m.

President: Mr. de ALWIS (Sri Lanka)

CONTENTS

Preparatory work for the second part of the ninth special session (agenda item 3) (continued):

(a) Report of the Intergovernmental Group of Experts on the External Indebtedness of Developing Countries

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PREPARATORY WORK FOR THE SECOND PART OF THE NINTH SPECIAL SESSION (agenda item 3) (continued):

(a) REPORT OF THE INTERGOVERNMENTAL GROUP OF EXPERTS ON THE EXTERNAL INDEBTEDNESS OF DEVELOPING COUNTRIES (TD/B/670)

1. Mr. ĆEMULIĆ (Yugoslavia), speaking on behalf of the Group of 77, noted that the Intergovernmental Group of Experts in their report (TD/B/670, paras. 28, 29 and 30) stressed the importance of international co-operation on the subject and acknowledged that there remained major divergencies on the possible solutions. He said that the ministerial session of the Board would provide a unique opportunity for mobilizing the necessary political will, and that during the preparatory work matters of procedure should not hinder the discussion of substantive issues and the negotiation of appropriate measures which should be submitted to the Ministers for decision.

2. With regard to their debt problems, the position of the developing countries had deteriorated considerably in recent years owing to circumstances beyond their control. These countries had to run record current account deficits merely to sustain levels of imports necessary for the barest minimum growth in per capita incomes. Moreover, official transfers of resources had not kept pace with needs: in 1975 official development aid (ODA) had amounted to $17.7 billion, less than half of the current account deficits of developing countries. In the case of the most seriously affected countries, net ODA transfers had amounted to $8 billion, while the deficit on current account had been $11.2 billion, debt-service payments alone had exceeded $2 billion. The least developed countries were in an even more difficult situation, since they had special development problems on account of which their debt-servicing had become even more onerous than that of the other developing countries. The development programmes of all those countries were therefore severely compromised. Some countries which enjoyed access to private capital markets had raised loans, but they were usually short-term loans obtained on unfavourable terms, and they were likely to create a serious problem through the "bunching" of their repayments. In maintaining their import levels by such means, they had played a major part in sustaining world demand and thereby preventing an even worse recession.

3. The countries which had not had access to private capital markets, particularly the most seriously affected, the least developed, land-locked and island developing countries, had had no alternative but to cut back their imports and investment programmes, and had thus failed to attain internationally-accepted targets for the growth of their GDP and per capita incomes and were now facing a genuine development crisis. Millions of people were involved, and the international community must think in terms of a co-ordinated approach and address itself to the overriding problem of the indebtedness of developing countries as a matter of urgency.

4. Debt-service payments had cut deeply into the budget and the foreign exchange resources of those countries, which had had to face further difficulties because of the narrowing of their export markets and the growing number of trade restrictions in the developed market economies. The developing countries therefore no longer had much manoeuvrability and found it impossible to pursue their development programmes. The burden of debt-servicing was obviously overwhelming and it was, for example, generally accepted that for the least developed countries the new ODA transfers should be essentially in the form of grants and that for other low-income countries they should be on more concessional terms. To provide immediate debt relief on official debt for the least developed countries would only involve applying the proposal to past loans.

5. With regard to the developing countries which had access to private capital markets and raised short-term loans to finance their long-term requirements, the problem was a different one: if they were to have a more balanced debt structure they needed a refinancing facility, sponsored by an official organ, which would offer them long-term loans on commercial terms and thus supplement and complete the current inadequate functioning of private capital markets.

6. Two important tasks had to be successfully completed before the ministerial session: the preparation of proposals for a political decision on immediate measures, and the clear definition of problems arising from the proposals made on guidelines for future debt reorganization. It was also necessary to confirm the convening of a second session of the Intergovernmental Group of Experts and give it a clear and firm mandate.

7. The agenda of the ministerial session should be concise and should concentrate on the action needed to provide debt relief for the least-developed countries and to consolidate the commercial debt of the interested developing countries. The Board might also wish to consider the need for further consultations and negotiations on guidelines for future debt reorganization in the light of the report which the Intergovernmental Group of Experts would submit on its second session; and it must have the possibility of considering other matters that might be thought relevant, especially as a result of events occurring before the coming January.

8. Mr. FEVRE (France), speaking on behalf of Group B, said that the experts of developed market-economy countries had clearly understood that the work of the Intergovernmental Group of Experts fell within the framework of Conference resolution 94 (IV) on the basis of which it had been given the responsibility of making an assessment of the measures taken to comply with that resolution. The experts had wished to stress once again the importance attached by their Governments to the matter of the debt problems of developing countries, and their will to find an appropriate answer to them. Although they were acutely aware of the needs of the poorest of the developing countries, the Group B countries had nevertheless wished to stress that the difficulties of those countries were really of a developmental nature and that solutions suited to the nature of those problems should be sought.

9. Taking specific cases of operations and debt reorganization which had been observed since the fourth session of the Conference, the experts of Group B had agreed that they had been settled in a satisfactory manner.

10. They had also stressed the importance and the constructive nature of the proposal put forward by the United States and the European Economic Community at the Conference on International Economic Co-operation in terms of the factors which might provide guidance for future operations in respect of debt problems. Most of them felt that the proposal was in keeping with the mandate set forth in Conference resolution 94 (IV) and provided a realistic and practical response to the debt problems of the developing countries.

11. It had further been pointed out that Sweden had put a proposal to the Conference on International Economic Co-operation and the Swedish expert had stressed that the idea of relief measures in respect of the debt contracted under ODA accorded to the least-developed countries remained valid.

12. It was in the interest of both creditors and debtors to find appropriate means of solving and avoiding these problems, and he wished to reaffirm the determination of the Group B countries to continue multilateral co-operation in order to take rapid action to assist the developing countries as they grappled with the problems of indebtedness, and to help in a constructive manner in the advance of international co-operation in that sphere.

13. Mr. LALOUX (Belgium), speaking on behalf of the European Economic Community, said that the Community was assessing the importance attached to the external indebtedness of the developing countries and the seriousness of the problems which affected a number of countries over either the short or the long term. For that reason the Community, together with the United States, had submitted to the Conference on Economic Co-operation a proposal which seemed to form a coherent package and a positive and direct answer to those problems. Their proposal took account of development in general and of the effect of international economic factors on individual developing countries, mainly through the provisions relating to review procedures and through solutions to longer-term debt problems.

14. For the purpose of finalizing the procedures needed to ensure the proper preparation of the ministerial session, he drew attention to the guidelines which governed the Community's view on the matter. It was perfectly normal that economic growth should mean increasing indebtedness, at any rate in its early stages. In spite of the marked progression of the deficit on current account of the developing countries since 1974, the problem must nevertheless by analysed primarily in the light of the distribution of the debt among the most affected countries, the structure of the debt, and world inflation. Consideration must also be given to the different measures which the international community had already taken to improve the assistance given to needy countries to finance their deficits and to make the adjustments called for by their situation. It was therefore necessary to

analyse and define the action to be taken in terms of the specific situations and to make a clear distinction between crises and more or less structural situations of longer duration, while ensuring that general development was given due consideration.

15. It was in that spirit that the Community intended to make a constructive contribution to the further work of the Intergovernmental Group of Experts.

16. Mr. PANKINE (Union of Soviet Socialist Republics), speaking on behalf of the Group D countries, said that unhealthy trends had continued to develop since the fourth session of the Conference. A small group of capitalist countries were amassing more and more financial resources, while the debt burden of many countries was growing continually. For that reason, external indebtedness was becoming one of the most acute problems in relations between the developing countries and the developed capitalist nations and their monopolies. It was impossible not to agree with the experts of the developing countries that the crisis and inflation afflicting the capitalist world were among the principal causes of the considerable worsening of their balance-of-payments deficits since 1973, combined with inadequate income from exports and deterioration in their terms of trade. The Intergovernmental Group of Experts had pointed out in its report that the critical foreign exchange position of the developing countries was due not to mistakes made in their economic or financial policies but to factors stemming from developments in the world capitalist economy.

17. The socialist countries were in no way responsible for the sharp fall in demand for products exported by developing countries, or for rising inflation, currency devaluation, and fluctuating rates of exchange, which had all aggravated the financial and monetary difficulties encountered by the latter.

18. It was the prime duty of the international organizations, UNCTAD among them, to endeavour to prevent neo-colonialism from using those difficulties as a pretext to bring political pressure to bear on developing countries and interfere in their internal affairs.

19. The problem of the external indebtedness of developing countries could only be satisfactorily solved over the long term if international economic relations were restructured on a democratic and equitable basis by finally putting an end to colonialism and neo-colonialism in the economic sphere. UNCTAD could make a contribution to that process, and the delegations of the Group D countries were ready to help to draw up recommendations to that effect. At the present time the solution depended directly on compensating for the damage caused to the economy of developing countries by the crisis affecting the capitalist economy and monetary system, and by the selfish activities of the transnational monopolies. The delegations of the Group D countries were sympathetic to the demands which the developing countries were justifiably making on the developed capitalist nations.

20. In the sphere of credit policies, relations between socialist and developing countries were not conducted in the same way as between the latter countries and the capitalist world. The purpose of the credits granted by the socialist countries to the developing countries were part of an economic and technical co-operation programme for the development of the latters' production, exploitation of their natural resources, enhancement of their scientific and technical potential, and formation of an infrastructure. Supports in the form of credits were thus inseparably linked to the implementation of specific projects laid down in the plans and programmes adopted by the developing countries.

21. Developing countries were to a considerable extent repaying the credits received from socialist countries by supplying their products, and that was one means of stimulating their export drive. Any effort to apply one single formula for settling debt problems was liable to have an adverse effect on such export development. The socialist countries were ready to extend the practice of credit repayment in the form of supply of goods, with due consideration for the interests of creditor and debtor. Both the socialist and the developing countries had the opportunity to find mutually acceptable solutions within the framework of bilateral relations both for credit problems and for ways and means of repayment.

22. The socialist countries invited their partners in the developing world to continue to follow the established practice of discussing and finding solutions for problems relating to use and repayment of credits granted. They were always ready to conduct direct negotiations with those partners, in the spirit of the intergovernmental agreements in force.

23. Mr. EL-SHAFEI (Egypt) stated that the terms of reference for the ministerial session of the Board had been defined in the resolutions adopted by the Conference at its fourth session, by the Board at its sixteenth session, and in General Assembly resolution 31/158. The task was to review the measures taken by both developed and developing countries with a view to relieving the external indebtedness of the latter in the framework of international co-operation. Those debt problems had features in common, and the only way they could be solved was by international action. Although the problem had been examined by other bodies, there was no doubt whatsoever that it fell within the competence of UNCTAD to discuss them.

24. During the present first part of its ninth special session, the Board had to prepare the ground thoroughly for the ministerial meeting in January 1978. It was a matter for regret that the agenda adopted for the first part did not include an in-depth study of the debt problem which would have made it possible to prepare adequately for the January session and to acquaint the Ministers sufficiently long in advance with the areas of agreement which such preparatory work would have brought to light.

25. For that reason, despite the short time available to the Board during the first part of the current session, his delegation hoped that the President might be able to contact the various parties and groups concerned, with the object of finding out at least in an informal way where there was common ground and to report to the Board accordingly.

26. The Egyptian delegation subscribed fully to the views expressed in the statement by the spokesman for the Group of 77 on the report prepared by the Intergovernmental Group of Experts on the External Indebtedness of Developing Countries (TD/B/670). The Group of Experts had not been able to launch negotiations on specific measures to remedy the serious problem of external indebtedness of developing countries and had confined itself to reviewing a number of proposals on the subject placed before the Conference on International Economic Co-operation, together with three specific cases of debt relief operations, noting that the three operations examined did not spring from Conference resolution 94 (IV).

27. The two proposals made to the Conference on International Economic Co-operation by the Group of 19 developing countries, one of them on immediate and generalized debt relief and the other on future operations relating to debt and to the institutional arrangements bound up with them, had been supported by the Group of 77, which had pointed out that debt relief for developing countries would benefit not only the latter but the developed countries as well, indeed the whole of the international community.

28. It was desirable that the developed countries should extend their credit insurance system to exports, so that developing countries could benefit from long-term interest-free or token-interest credits for their imports of capital goods. Such facilities would enable the latter countries to make a corresponding reduction in their commercial short-term loans, on which interest was high.

29. Although recognizing the gravity and urgency of the problem of external indebtedness, the Group of Experts had not succeeded in reaching agreement on ways of dealing with it, and like the Conference on International Economic Co-operation it had failed to agree on practical measures to be taken. The efforts made by both those bodies had, however, not been futile, because they had given the parties concerned a chance to gain a firmer grasp of the problem and appreciate each other's position more fully.

30. The Group of Experts had realized that the solution of the debt problem facing developing countries was one of the most important tasks before the international community and one which called for co-operation on a multilateral footing between creditor and debtor countries, all of which stood to gain from the solution and future avoidance of that problem. The developing countries considered that UNCTAD was the most appropriate forum for examining the question and continuing the North-South dialogue. Discussions at the fourth session of the United Nations Conference on Trade and Development, at the Conference on International Economic Co-operation, and at the first session held by the Group of Experts, had yielded sufficient material to draw up proposals for measures that would bring an answer, and the Board should therefore invite the Group of Experts to negotiate such measures at its second session and submit recommendations to the Board at its ministerial session.

31. Mr. AN (China) stated that the causes of the increasingly heavy debt burden borne by developing countries were both historical and of the present time. The trade deficits of those countries had been created by the persistent inequality of the terms of trade, and harsh conditions attaching to loans weighed heavily on them, while the global economic crisis in the capitalist countries during recent years, which the super-Powers had transferred to other countries, had aggravated the debt situation in the developing world. In other words, the increasing debt burden of the developing countries was closely related to the old system of international economic relations based on exploitation and control.

32. The solution of the external debt problem had become an urgent task, and the Chinese delegation supported the proposals made by the developing countries for alleviating their indebtedness. It held the view that the debts of the least developed, land-locked and island developing countries should be given special attention and that those countries should receive practical help.

33. His delegation hoped that at the session to be devoted to the debt question, the Board could achieve positive results, since it had the full power to do so. Since the ministerial session would last only five days, its agenda ought to concentrate on the debt problems of developing countries. Other problems could be discussed by other appropriate bodies.

34. The ministerial session should keep to the guidelines laid down by the General Assembly at its sixth special session and treat the solution of debt problems as an important element in the establishment of a new international economic order. All the developing countries should strengthen their unity with other nations sympathetic to their difficulties, work together to fend off interference by the super-Powers, and pool their efforts to make the session a success and to bring about a thorough-going reform of the system of international economic relations.

The meeting rose at 4.40 p.m.